

of this paragraph shall not apply if the article is used by the manufacturer, producer, or importer thereof as material in the manufacture or production of, or as a component part of, any other article (whether or not taxable under Chapter 32) to be manufactured or produced by him. It is immaterial what disposition is made of such other article.

(e) *Bicycle tires and inner tubes*—(1) *Application of tax.* If the manufacturer, producer, or importer of a bicycle tire as defined in section 4221(e)(4)(B) or an inner tube for such a tire uses the tire or inner tube for any purpose other than as indicated in subparagraph (2) of this paragraph, he shall be liable for tax with respect to the use of the tire or inner tube in the same manner as if the article were sold by him.

(2) *Nontaxable use in manufacture of other articles.* The tax on the use of a bicycle tire or inner tube referred to in subparagraph (1) of this paragraph shall not apply if the tire or inner tube is used by the manufacturer, producer, or importer thereof as material in the manufacture or production of, or as a component part of, a new bicycle to be manufactured or produced by him. It is immaterial what disposition is made of the new bicycle. Tax, however, applies in the case of the use of a bicycle tire or inner tube by the manufacturer, producer, or importer thereof in the rebuilding or reconditioning of a used bicycle.

(3) *Effective date.* The provisions of this paragraph shall apply to the use on or after May 1, 1960, of a bicycle tire or inner tube by the manufacturer, producer, or importer thereof. Liability for tax on the use prior to that date of a bicycle tire or inner tube by the manufacturer, producer, or importer thereof shall be based on the provisions of paragraph (c) of this section which apply to tires and inner tubes in general.

(f) *Use after lease.* If the manufacturer, producer, or importer of a taxable article leases such article and thereafter uses the article, he incurs liability for tax on such use as provided in these regulations to the same extent as if the article were sold after being leased. See section 4217 and the regulations thereunder in this subpart for ap-

plication and computation of tax in case of leased articles.

(g) *Time of application of tax.* In the case of a taxable use of an article by the manufacturer, producer, or importer thereof, the tax attaches at the time such use begins. If tax applies by reason of the sale of an article by the manufacturer, producer, or importer thereof on or in connection with his sale of another article, the tax attaches at the time of the sale of such other article.

(h) *Exemptions because of other statutory provisions.* Tax does not apply on the use of an article by the manufacturer, producer, or importer thereof if under the applicable provisions of the Code the sale of the article for a similar use would not be subject to tax. For example, the use of gasoline by the producer thereof to propel tankers engaged in foreign trade which are owned or leased by the producer would not be subject to tax under section 4218 since a sale for such use would be exempt from tax as provided in section 4221(a)(3). Also, tax need not be paid with respect to the use of an article by the manufacturer, producer, or importer thereof if such use would qualify, under the provisions of section 6416(b), for credit or refund of the tax paid.

[T.D. 6687, 28 FR 11780, Nov. 5, 1963]

§ 48.4218-2 Business or personal use of articles.

(a) *Business use.* Section 4218 applies to the use by a person, in the operation of any business in which he is engaged, of a taxable article which has been manufactured, produced, or imported by him or his agent. For example, a person engaged in the operation of a dairy business incurs liability for tax with respect to a truck body manufactured by him and used in the operation of his dairy business.

(b) *Personal use.* The tax on use of a taxable article does not attach in cases where an individual incidentally manufactures, produces, or imports a taxable article for his personal use or causes a taxable article to be manufactured, produced, or imported for his personal use.

[T.D. 6687, 28 FR 11781, Nov. 5, 1963]